

AUDUBON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2009

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Audubon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education  
(Before September 2008 Election)**

Sarah Christensen	President	2008
Doug Olson	Vice President	2008
Douglas Olsen	Board Member	2010
Tim Andersen	Board Member	2009
Mary Jo Krauel	Board Member	2009

**Board of Education  
(After September 2008 Election)**

Doug Olson	President	2011
Douglas Olsen	Vice President	2011*
John Henriksen	Board Member	2011
Tim Andersen	Board Member	2009
Mary Jo Krauel	Board Member	2009

**School Officials**

Brett Gibbs	Superintendent	2009
John Roberts	Board Secretary/Treasurer	2009
Natalie Lange	Business Manager	2009
Rick Engel	Attorney	2009

\*Board terms extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Audubon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Audubon Community School District, Audubon, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Audubon Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2010 on our consideration of the Audubon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Audubon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2010

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Audubon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,178,062 in fiscal 2008 to \$5,569,790 in fiscal 2009, and General Fund expenditures increased from \$5,403,330 in fiscal 2008 to \$5,722,926 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$374,326 in fiscal 2008 to a balance of \$221,190 in fiscal 2009, a decrease of 40.91% from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state source revenues in fiscal 2009. The increase in expenditures is attributable to a decrease in the support services expenditures.
- The District's solvency ratio for the year ended June 30, 2009 is a negative .49% as compared to 2.40% for the year ended June 30, 2008.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Audubon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Audubon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Audubon Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

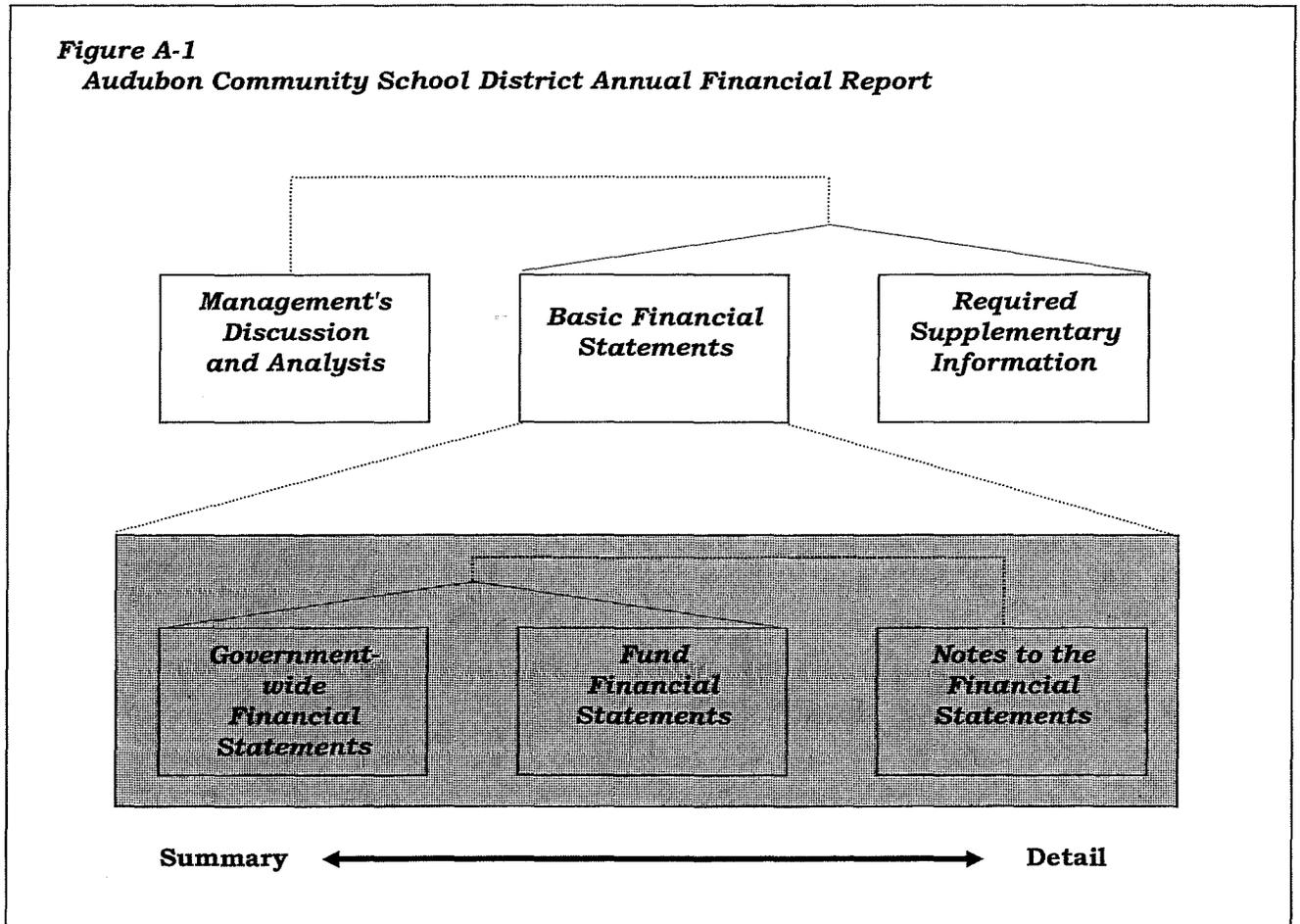


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service and Capital Projects.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private Purpose Trust Funds.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 4,464,293	3,456,552	55,229	83,749	4,519,522	3,540,301	27.66%
Capital assets	7,939,852	8,330,341	73,018	75,990	8,012,870	8,406,331	-4.68%
Total assets	12,404,145	11,786,893	128,247	159,739	12,532,392	11,946,632	4.90%
Long-term obligations	4,476,605	4,632,065	0	0	4,476,605	4,632,065	-3.36%
Other liabilities	3,739,195	2,809,618	4,788	5,224	3,743,983	2,814,842	33.01%
Total liabilities	8,215,800	7,441,683	4,788	5,224	8,220,588	7,446,907	10.39%
Net assets:							
Invested in capital assets, net of related debt	3,555,482	3,704,457	73,018	75,990	3,628,500	3,780,447	-4.02%
Restricted	507,225	395,557	0	0	507,225	395,557	28.23%
Unrestricted	125,638	245,196	50,441	78,525	176,079	323,721	-45.61%
Total net assets	\$ 4,188,345	4,345,210	123,459	154,515	4,311,804	4,499,725	-4.18%

The District's combined net assets decreased by 4.18%, or \$187,921 from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$111,668 or 28.23% over the prior year.

Unrestricted net assets – are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$147,642, or 45.61%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4  
Changes of Net Assets

	Governmental		Business type		Total		Total Change 2008-09
	Activities		Activities		School District		
	2009	2008	2009	2008	2009	2008	
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 505,704	464,714	209,056	195,493	714,760	660,207	8.26%
Operating grants and contributions and restricted interest	815,639	715,024	138,076	112,665	953,715	827,689	15.23%
Capital grants and contributions and restricted interest	0	27,800	0	0	0	27,800	-100.00%
General revenues:							
Local tax	2,272,124	2,135,178	0	0	2,272,124	2,135,178	6.41%
Statewide sales and service tax	366,553	355,611	0	0	366,553	355,611	3.08%
Unrestricted state grants	2,520,297	2,369,249	0	0	2,520,297	2,369,249	6.38%
Other	89,837	62,069	7	590	89,844	62,659	43.39%
Transfers	63,220	(33,371)	(63,220)	33,371	0	0	0.00%
Total revenues and transfers	6,633,374	6,096,274	283,919	342,119	6,917,293	6,438,393	7.44%
Program expenses:							
Governmental activities:							
Instructional	4,051,273	3,843,405	0	0	4,051,273	3,843,405	5.41%
Support services	1,906,701	1,761,976	3,665	3,421	1,910,366	1,765,397	8.21%
Non-instructional programs	0	0	311,310	301,944	311,310	301,944	3.10%
Other expenditures	832,265	736,873	0	0	832,265	736,873	12.95%
Total expenses	6,790,239	6,342,254	314,975	305,365	7,105,214	6,647,619	6.88%
Change in net assets	(156,865)	(245,980)	(31,056)	36,754	(187,921)	(209,226)	-10.18%
Net assets beginning of year	4,345,210	4,591,190	154,515	117,761	4,499,725	4,708,951	-4.44%
Net assets end of year	\$ 4,188,345	4,345,210	123,459	154,515	4,311,804	4,499,725	-4.18%

In fiscal 2009, local tax and unrestricted state grants account for 72.24% of the revenue from governmental activities while charges for services and operating grants and contributions account for 122.26% of the revenue from business type activities.

The District's total revenues were \$6,917,293 of which \$6,633,374 was for governmental activities and \$283,919 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 7.44% in revenues and a 6.88% increase in expenses. The increase in expenses was related to increases in expenditures in the instructional and other expenditures functions.

### Governmental Activities

Revenues for governmental activities were \$6,633,374 and expenses were \$6,790,239.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 4,051,273	3,843,405	5.41%	2,944,504	2,862,942	2.85%
Support services	1,906,701	1,761,976	8.21%	1,906,621	1,734,176	9.94%
Other expenses	832,265	736,873	12.95%	617,771	537,598	14.91%
Totals	\$ 6,790,239	6,342,254	7.06%	5,468,896	5,134,716	6.51%

The cost financed by users of the District's programs was \$505,704.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$815,639.
- The net cost of governmental activities was financed with \$2,272,124 in local tax, \$366,553 in statewide sales and service tax, \$2,520,297 in unrestricted state grants and \$12,061 in interest income, and \$77,776 in other general revenue.

### **Business type Activities**

Revenues of the District's business type activities were \$283,919 and expenses were \$314,975. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Audubon Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$542,887, above last year's ending fund balances of \$495,398.

### **Governmental Fund Highlights**

- The General Fund's declining financial position from \$374,326 to \$221,190 is the product of many factors:
  - Expenses increased more than revenues during the year.
  - The General Fund has a deficit unreserved fund balance of \$27,551.
- The Physical Plant and Equipment Levy Fund balance increased from a deficit \$22,136 in fiscal 2008 to \$17,281 in fiscal 2009.
- The Debt Service Fund has a deficit fund balance of \$14,421.

## Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$154,515 at June 30, 2008 to \$123,459 at June 30, 2009, representing a decrease of 20.10%. The transfer of \$63,220 to the Special Revenue Fund: Property Plant and Equipment was the primary reason for the decrease.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$174,712 less than budgeted revenues, a variance of 2.48%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

Initially, total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$8,012,870, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$438,249.

The original cost of the District's capital assets was \$16,053,408. Governmental funds account for \$15,841,370 with the remainder of \$212,038 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's reported machinery and equipment at June 30, 2009 was \$555,568, as compared to \$641,766 for June 30, 2008. The decrease in machinery and equipment is attributable to disposal of assets and depreciation.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 3,200	3,200	0	0	3,200	3,200	0.00%
Buildings	7,140,080	7,408,068	0	0	7,140,080	7,408,068	-3.62%
Land improvements	314,022	353,297	0	0	314,022	353,297	-11.12%
Machinery and equipment	482,550	565,776	73,018	75,990	555,568	641,766	-13.43%
Total	\$ 7,939,852	8,330,341	73,018	75,990	8,012,870	8,406,331	-4.68%

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## Long-Term Debt

At June 30, 2009, the District had \$4,476,605 in other long-term debt outstanding. This represents a decrease of 3.36%. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$4,325,000 at June 30, 2009.

During the FY 07 the District entered into two separate bus leases for a total of four new buses. At June 30, 2009, the District still owed \$59,370 which will be paid from the General Fund.

The District had outstanding early retirement payable of \$86,120 at June 30, 2009.

The District had total outstanding compensated absences payable from the General Fund of \$6,115 at June 30, 2009.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 4,325,000	4,510,000	-4.10%
Bus leases	59,370	115,885	-48.77%
Early retirement	86,120	0	100.00%
Compensated absences	6,115	6,180	-1.05%
Total	<u>\$ 4,476,605</u>	<u>4,632,065</u>	<u>-3.36%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District projects a declining enrollment trend of approximately 10 students per year. We are anticipating the declining enrollment will be offset by the projected increase in our state statewide sales and service tax dollars per student.
- The FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Natalie Lange, Business Manager, Audubon Community School District, 800 Third Avenue, Audubon, Iowa, 50025.

BASIC FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP	\$ 851,268	0	851,268
Other	930,532	36,989	967,521
Receivables:			
Property tax:			
Delinquent	23,866	0	23,866
Succeeding year	2,253,798	0	2,253,798
Income surtax	198,896	0	198,896
Accounts	71,835	10,795	82,630
Accrued interest - ISCAP	105	0	105
Due from other governments	133,993	0	133,993
Inventories	0	7,445	7,445
Capital assets, net of accumulated depreciation	7,939,852	73,018	8,012,870
<b>TOTAL ASSETS</b>	<b>12,404,145</b>	<b>128,247</b>	<b>12,532,392</b>
<b>LIABILITIES</b>			
Accounts payable	74,096	375	74,471
Salaries and benefits payable	467,873	0	467,873
ISCAP warrants payable	838,000	0	838,000
ISCAP accrued interest payable	287	0	287
ISCAP unamortized premium	16,222	0	16,222
Accrued interest payable	16,685	0	16,685
Deferred revenue:			
Succeeding year property tax	2,253,798	0	2,253,798
Other	72,234	0	72,234
Unearned revenue	0	4,413	4,413
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	195,000	0	195,000
Bus lease	59,370	0	59,370
Compensated absences	6,115	0	6,115
Early retirement payable	43,060	0	43,060
Portion due after one year:			
General obligation bonds payable	4,130,000	0	4,130,000
Early retirement payable	43,060	0	43,060
<b>TOTAL LIABILITIES</b>	<b>8,215,800</b>	<b>4,788</b>	<b>8,220,588</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,555,482	73,018	3,628,500
Restricted for:			
Categorical funding	248,741	0	248,741
Capital projects	136,750	0	136,750
Physical plant and equipment levy	17,281	0	17,281
Other special revenue purposes	104,453	0	104,453
Unrestricted	125,638	50,441	176,079
<b>TOTAL NET ASSETS</b>	<b>\$ 4,188,345</b>	<b>123,459</b>	<b>4,311,804</b>

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,810,948	208,421	566,178	(2,036,349)	0	(2,036,349)
Special	554,424	19,931	34,967	(499,526)	0	(499,526)
Other	685,901	277,272	0	(408,629)	0	(408,629)
	<u>4,051,273</u>	<u>505,624</u>	<u>601,145</u>	<u>(2,944,504)</u>	<u>0</u>	<u>(2,944,504)</u>
Support services:						
Student	227,786	0	0	(227,786)	0	(227,786)
Instructional staff	309,511	0	0	(309,511)	0	(309,511)
Administration	563,268	0	0	(563,268)	0	(563,268)
Operation and maintenance of plant	544,483	0	0	(544,483)	0	(544,483)
Transportation	261,653	80	0	(261,573)	0	(261,573)
	<u>1,906,701</u>	<u>80</u>	<u>0</u>	<u>(1,906,621)</u>	<u>0</u>	<u>(1,906,621)</u>
Other expenditures:						
Facilities acquisitions	120,803	0	0	(120,803)	0	(120,803)
Interest and fiscal charges	189,705	0	0	(189,705)	0	(189,705)
AEA flowthrough	214,494	0	214,494	0	0	0
Depreciation(unallocated)*	307,263	0	0	(307,263)	0	(307,263)
	<u>832,265</u>	<u>0</u>	<u>214,494</u>	<u>(617,771)</u>	<u>0</u>	<u>(617,771)</u>
Total governmental activities	6,790,239	505,704	815,639	(5,468,896)	0	(5,468,896)
Business Type activities:						
Support services:						
Operations and maintenance plant	3,665	0	0	0	(3,665)	(3,665)
Non-instructional programs:						
Nutrition services	311,310	209,056	138,076	0	35,822	35,822
Total business type activities	<u>314,975</u>	<u>209,056</u>	<u>138,076</u>	<u>0</u>	<u>32,157</u>	<u>32,157</u>
Total	<u>\$ 7,105,214</u>	<u>714,760</u>	<u>953,715</u>	<u>(5,468,896)</u>	<u>32,157</u>	<u>(5,436,739)</u>
<b>General Revenues and Transfers:</b>						
General revenues:						
Local tax for:						
General purposes				\$ 1,807,013	0	1,807,013
Capital outlay				163,001	0	163,001
Debt service				71,228	0	71,228
Statewide sales and service tax				366,553	0	366,553
Income surtax				230,882	0	230,882
Unrestricted state grants				2,520,297	0	2,520,297
Unrestricted investment earnings				12,061	7	12,068
Other				77,776	0	77,776
Transfers				63,220	(63,220)	0
Total general revenues and transfers				<u>5,312,031</u>	<u>(63,213)</u>	<u>5,248,818</u>
Changes in net assets				(156,865)	(31,056)	(187,921)
Net assets beginning of year				4,345,210	154,515	4,499,725
Net assets end of year				<u>\$ 4,188,345</u>	<u>123,459</u>	<u>4,311,804</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP	\$ 851,268	0	851,268
Other	728,373	202,159	930,532
Receivables:			
Property tax:			
Delinquent	20,140	3,726	23,866
Succeeding year	1,867,520	386,278	2,253,798
Income surtax	198,896	0	198,896
Accounts	66,533	5,302	71,835
Accrued interest - ISCAP	105	0	105
Due from other governments	17,780	116,213	133,993
<b>TOTAL ASSETS</b>	<b>\$ 3,750,615</b>	<b>713,678</b>	<b>4,464,293</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	68,393	5,703	74,096
Salaries and benefits payable	467,873	0	467,873
ISCAP warrants payable	838,000	0	838,000
ISCAP accrued interest payable	287	0	287
ISCAP unamortized premium	16,222	0	16,222
Deferred revenue:			
Succeeding year property tax	1,867,520	386,278	2,253,798
Income surtax	198,896	0	198,896
Other	72,234	0	72,234
Total liabilities	<u>3,529,425</u>	<u>391,981</u>	<u>3,921,406</u>
Fund balances:			
Reserved for:			
Categorical funding	248,741	0	248,741
Unreserved fund balance	(27,551)	321,697	294,146
Total fund balances	<u>221,190</u>	<u>321,697</u>	<u>542,887</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,750,615</b>	<b>713,678</b>	<b>4,464,293</b>

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2009

<b>Total fund balances of governmental funds (page 15)</b>	\$	542,887
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		7,939,852
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		198,896
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(16,685)
Long-term liabilities, including compensated absences, early retirement payable, general obligation bonds payable and bus leases payable are not due and payable, in the current period and, therefore, are not reported as liabilities in the governmental funds.		(4,476,605)
		<hr style="width: 100%;"/>
<b>Net assets of governmental activities (page 13)</b>	<b>\$</b>	<b><u><u>4,188,345</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 1,926,036	684,591	2,610,627
Tuition	228,352	0	228,352
Other	71,517	287,503	359,020
State sources	3,180,340	220	3,180,560
Federal sources	155,376	0	155,376
Total revenues	<u>5,561,621</u>	<u>972,314</u>	<u>6,533,935</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	2,704,056	0	2,704,056
Special	554,424	0	554,424
Other	435,653	250,248	685,901
	<u>3,694,133</u>	<u>250,248</u>	<u>3,944,381</u>
Support services:			
Student	227,786	0	227,786
Instructional staff	311,173	0	311,173
Administration	537,135	26,640	563,775
Operation and maintenance of plant	479,945	57,267	537,212
Transportation	195,892	0	195,892
	<u>1,751,931</u>	<u>83,907</u>	<u>1,835,838</u>
Other expenditures:			
Facilities acquisitions	0	129,277	129,277
Long term debt:			
Principal	0	241,515	241,515
Interest	0	192,330	192,330
AEA flowthrough	214,494	0	214,494
	<u>214,494</u>	<u>563,122</u>	<u>777,616</u>
Total expenditures	<u>5,660,558</u>	<u>897,277</u>	<u>6,557,835</u>
Excess(deficiency) of revenues over(under) expenditures	(98,937)	75,037	(23,900)
<b>OTHER FINANCING SOURCES(USES):</b>			
Sale of equipment	8,169	0	8,169
Transfer in	0	411,365	411,365
Transfer out	(62,368)	(285,777)	(348,145)
TOTAL OTHER FINANCING SOURCE(USES)	<u>(54,199)</u>	<u>125,588</u>	<u>71,389</u>
Net change in fund balances	(153,136)	200,625	47,489
Fund balance beginning of year	374,326	121,072	495,398
Fund balance end of year	<u>\$ 221,190</u>	<u>321,697</u>	<u>542,887</u>

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ 47,489

**Amounts reported for governmental activities in the  
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense, capital outlay expenditures, and loss on disposal of assets in the current year are as follows:

Expenditures for capital assets	\$ 44,100	
Depreciation expense	(433,027)	
Loss on asset disposal	(1,562)	(390,489)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows: 241,515

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it was due. 2,625

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 28,050

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	65	
Early retirement	(86,120)	(86,055)

**Changes in net assets of governmental activities (page 14) \$ (156,865)**

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2009

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 36,989
Receivables:	
Accounts	10,795
Inventories	7,445
Capital assets, net of accumulated depreciation	73,018
TOTAL ASSETS	<u>128,247</u>
LIABILITIES	
Accounts payable	375
Unearned revenue	4,413
TOTAL LIABILITIES	<u>4,788</u>
NET ASSETS	
Invested in capital assets	73,018
Unrestricted	50,441
TOTAL NET ASSETS	<u>\$ 123,459</u>

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 195,910
Other local income	13,146
TOTAL OPERATING REVENUES	209,056
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Services	37
Supplies	3,628
	3,665
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	106,716
Benefits	14,769
Services	70
Supplies	184,533
Depreciation	5,222
Total non-instructional programs	311,310
TOTAL OPERATING EXPENSES	314,975
OPERATING LOSS	(105,919)
NON-OPERATING REVENUES:	
State sources	3,678
Federal sources	134,398
Interest income	7
TOTAL NON-OPERATING REVENUES	138,083
Change in net assets before other financing uses	32,164
OTHER FINANCING USES:	
Transfer out	(63,220)
Change in net assets	(31,056)
Net assets beginning of year	154,515
Net assets end of year	\$ 123,459

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 185,456
Cash received from miscellaneous sources	13,146
Cash payments to employees for services	(121,679)
Cash payments to suppliers for goods or services	(169,089)
Net cash used in operating activities	(92,166)
Cash flows from non-capital financing activities:	
State grants received	3,678
Federal grants received	114,038
Net cash provided by non-capital financing activities	117,716
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,250)
Cash flows from investing activities:	
Interest on investments	7
Net increase in cash and cash equivalents	23,307
Cash and cash equivalents at beginning of year	13,682
Cash and cash equivalents at end of year	\$ 36,989
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (105,919)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	20,360
Depreciation	5,222
Increase in inventories	(1,556)
Increase in accounts receivable	(9,837)
Increase in accounts payable	375
Decrease in Salaries and benefits payable	(194)
Decrease in unearned revenue	(617)
Net cash used in operating activities	\$ (92,166)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$20,360.

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2009

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 211,767
Interest receivable	1,200
TOTAL ASSETS	<u>212,967</u>
LIABILITIES	
Scholarships payable	<u>29,338</u>
NET ASSETS	
Reserved for scholarships	170,548
Unreserved	13,081
TOTAL NET ASSETS	<u>\$ 183,629</u>

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ 7,535
Contributions	19,692
Total additions	27,227
Deductions:	
Scholarships awarded	33,388
Change in net assets	(6,161)
Net assets beginning of year	189,790
Net assets end of year	\$ 183,629

SEE NOTES TO FINANCIAL STATEMENTS

AUDUBON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(1) **Summary of Significant Accounting Policies**

The Audubon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Audubon, Iowa, and the predominate agricultural territory in Audubon and Guthrie Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Audubon Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Audubon Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Audubon and Guthrie Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which

normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on

January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 400
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period

or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit of other evidences of deposit at federally insured depository institutions approved by

the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Iowa Schools Joint Investment Trust	\$ 544,038

The investments are valued at an amortized cost pursuant to Rule2a-7 under the Investment Company Act of 1940.

**(3) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2009-10A	6/25/09	6/23/10	\$ 851,268	105	838,000	287

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity was noted for the year ended June 30, 2009.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2009-10A	2.500%	0.902%

**(4) Transfers**

The detail of the transfer for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 210,777
Debt Service	General	62,368
Debt Service	Special Revenue: Physical Plant and Equipment Levy	75,000
Special Revenue: Physical Plant and Equipment Levy	Nutrition Fund	<u>63,220</u>
Total		<u>\$ 411,365</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2009 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,200	0	0	3,200
Total capital assets not being depreciated	<u>3,200</u>	<u>0</u>	<u>0</u>	<u>3,200</u>
Capital assets being depreciated:				
Buildings	13,474,456	0	0	13,474,456
Land improvements	785,517	0	0	785,517
Machinery and equipment	1,641,973	44,100	107,876	1,578,197
Total capital assets being depreciated	<u>15,901,946</u>	<u>44,100</u>	<u>107,876</u>	<u>15,838,170</u>
Less accumulated depreciation for:				
Buildings	6,066,388	267,988	0	6,334,376
Land improvements	432,220	39,275	0	471,495
Machinery and equipment	1,076,197	125,764	106,314	1,095,647
Total accumulated depreciation	<u>7,574,805</u>	<u>433,027</u>	<u>106,314</u>	<u>7,901,518</u>
Total capital assets being depreciated, net	<u>8,327,141</u>	<u>(388,927)</u>	<u>1,562</u>	<u>7,936,652</u>
Governmental activities capital assets, net	<u>\$ 8,330,341</u>	<u>(388,927)</u>	<u>1,562</u>	<u>7,939,852</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 289,650	2,250	79,862	212,038
Less accumulated depreciation	213,660	5,222	79,862	139,020
Business type activities capital assets, net	\$ 75,990	(2,972)	0	73,018

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 22,607
Support services:		
Instructional staff		30,567
Operation and maintenance of plant		6,313
Transportation		66,277
Unallocated depreciation		307,263
Total governmental activities depreciation expense		\$ 433,027
Business type activities:		
Food services		\$ 5,222

#### (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 4,510,000	0	185,000	4,325,000	195,000
Bus leases	115,885	0	56,515	59,370	59,370
Early retirement	0	86,120	0	86,120	43,060
Compensated absences	6,180	6,115	6,180	6,115	6,115
Total	\$ 4,632,065	92,235	247,695	4,476,605	303,545

#### General Obligation Bonds Payable

Details of the District's June 30, 2009 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond issue dated July 1, 2005			
	Interest Rates	Principal	Interest	Total
2010	4.600	% \$ 195,000	176,828	371,828
2011	4.250	200,000	167,858	367,858
2012	4.150	210,000	159,358	369,358
2013	4.125	220,000	150,642	370,642
2014	4.125	230,000	141,568	371,568
2015-2019	3.700-4.125	1,300,000	562,828	1,862,828
2020-2024	4.000-4.200	1,605,000	282,540	1,887,540
2025	4.200-4.250	365,000	15,512	380,512
		\$ 4,325,000	1,657,134	5,982,134

Bus Leases Payable

During the year ended June 30, 2007, the District entered into two separate leases for four buses. The lease bears a 5.05% per annum. Details of the District's June 30, 2009 bus lease indebtedness which will be paid from the General Fund is as follows:

Year Ending June 30,	Bus lease dated October 19, 2006		Bus lease dated January 30, 2007		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	
2010	\$ 44,790	2,261	14,580	736	59,370	2,997	62,367

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. For the year ended June 30, 2009, the District had no early retirement benefit payments.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$233,612, \$209,204, and \$196,096, respectively, equal to the required contributions for each year.

**(8) Risk Management**

The District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, life and long-term disability. District contributions to ISEBA for the year ended June 30, 2009 were \$32,576.

Audubon Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of

commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$214,494 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Financial Condition**

The Debt Service Fund had deficit fund balance of \$14,421 as of June 30, 2009.

The District had a deficit unreserved fund balance of \$27,551 in the General Fund as of June 30, 2009.

**(11) Categorical Funding**

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

Project	Amount
Gifted and talented	\$ 208,817
Early intervention	24,516
Teacher quality	1,916
Market factor	588
Market factor incentives	1,712
Core curriculum	11,192
Total reserved for categorical funding	<u>\$ 248,741</u>

**(12) Other Post-employment Benefits (OPEB)**

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other post-employment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB No. 45.

REQUIRED SUPPLEMENTARY INFORMATION

AUDUBON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 3,197,999	209,063	3,407,062	3,372,859	3,372,859	34,203
State sources	3,180,560	3,678	3,184,238	3,399,927	3,399,927	(215,689)
Federal sources	155,376	134,398	289,774	283,000	283,000	6,774
Total revenues	6,533,935	347,139	6,881,074	7,055,786	7,055,786	(174,712)
Expenditures/Expenses:						
Instruction	3,944,381	0	3,944,381	4,492,355	4,492,355	547,974
Support services	1,835,838	3,665	1,839,503	1,960,000	1,960,000	120,497
Non-instructional programs	0	311,310	311,310	318,961	318,961	7,651
Other expenditures	777,616	0	777,616	789,358	789,358	11,742
Total expenditures/expenses	6,557,835	314,975	6,872,810	7,560,674	7,560,674	687,864
Excess(deficiency) of revenues over(under) expenditures/expenses	(23,900)	32,164	8,264	(504,888)	(504,888)	513,152
Other financing sources(uses), net	71,389	(63,220)	8,169	0	0	8,169
Excess(deficiency) of revenues and other financing sources(uses) over(under) expenditures/expenses	47,489	(31,056)	16,433	(504,888)	(504,888)	521,321
Balance beginning of year	495,398	154,515	649,913	424,064	424,064	225,849
Balance end of year	\$ 542,887	123,459	666,346	(80,824)	(80,824)	747,170

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

AUDUBON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

AUDUBON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Special Revenue Funds						Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	
<b>Assets</b>							
Cash and pooled investments	\$ 74,070	107,426	15,379	196,875	20,537	(15,253)	202,159
Receivables:							
Property tax:							
Current year delinquent	992	0	1,902	2,894	0	832	3,726
Succeeding year	115,000	0	171,278	286,278	0	100,000	386,278
Accounts	2,572	2,730	0	5,302	0	0	5,302
Due from other governments	0	0	0	0	116,213	0	116,213
<b>Total assets</b>	<b>\$ 192,634</b>	<b>110,156</b>	<b>188,559</b>	<b>491,349</b>	<b>136,750</b>	<b>85,579</b>	<b>713,678</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 0	5,703	0	5,703	0	0	5,703
Deferred revenue:							
Succeeding year property tax	115,000	0	171,278	286,278	0	100,000	386,278
<b>Total liabilities</b>	<b>115,000</b>	<b>5,703</b>	<b>171,278</b>	<b>291,981</b>	<b>0</b>	<b>100,000</b>	<b>391,981</b>
Fund balances:							
Unreserved, undesignated	77,634	104,453	17,281	199,368	136,750	(14,421)	321,697
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 192,634</b>	<b>110,156</b>	<b>188,559</b>	<b>491,349</b>	<b>136,750</b>	<b>85,579</b>	<b>713,678</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

AUDUBON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds					Total	
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 83,809	0	163,001	246,810	366,553	71,228	684,591
Other	11,543	275,544	1	287,088	414	1	287,503
State sources	58	0	112	170	0	50	220
TOTAL REVENUES	95,410	275,544	163,114	534,068	366,967	71,279	972,314
EXPENDITURES:							
Current:							
Instruction:							
Other	0	250,248	0	250,248	0	0	250,248
Support services:							
Administration	26,640	0	0	26,640	0	0	26,640
Operation and maintenance of plant	57,267	0	0	57,267	0	0	57,267
Other expenditures:							
Facilities Acquisition	0	0	111,917	111,917	17,360	0	129,277
Long term debt:							
Principal	0	0	0	0	0	241,515	241,515
Interest and fiscal charges	0	0	0	0	0	192,330	192,330
TOTAL EXPENDITURES	83,907	250,248	111,917	446,072	17,360	433,845	897,277
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,503	25,296	51,197	87,996	349,607	(362,566)	75,037
OTHER FINANCING SOURCES (USES):							
Transfer in	0	0	63,220	63,220	0	348,145	411,365
Transfer out	0	0	(75,000)	(75,000)	(210,777)	0	(285,777)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	(11,780)	(11,780)	(210,777)	348,145	125,588
NET CHANGE IN FUND BALANCES	11,503	25,296	39,417	76,216	138,830	(14,421)	200,625
FUND BALANCE BEGINNING OF YEAR	66,131	79,157	(22,136)	123,152	(2,080)	0	121,072
FUND BALANCE END OF YEAR	\$ 77,634	104,453	17,281	199,368	136,750	(14,421)	321,697

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

AUDUBON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Unreserved Fund Balance Expenditure	\$ 80	0	0	80
Drama	5,720	7,250	6,735	6,235
Journalism	209	131	0	340
Speech	682	1,158	1,017	823
Ink Drinkers Book Club	45	0	45	0
Instrumental Music	386	6,735	6,480	641
Cross Country	1	1,021	1,022	0
Tennis Association	(517)	517	0	0
Athletics	13,459	73,396	52,104	34,751
Boys Basketball	130	8,758	8,823	65
Football	876	1,105	714	1,267
Youth Wrestling	1,525	3,016	1,620	2,921
Baseball	772	985	1,722	35
Boys Track	138	334	1	471
Boys Tennis	250	210	140	320
Boys Golf	0	234	300	(66)
Weight Room	587	1,350	1,893	44
Wrestling	(274)	3,511	3,202	35
Girls Basketball	1,683	4,105	4,867	921
Volleyball	731	3,846	3,068	1,509
Softball	309	1,176	1,075	410
Girls Track	238	593	518	313
Girls Tennis	65	594	0	659
Girls Golf	1	0	0	1
Book Fair	2,092	0	2,092	0
Library Club	300	0	300	0
Industrial Tech	401	1,347	1,748	0
Vo Ag Resale	322	0	322	0
Greenhouse	762	2,845	3,887	(280)
Box Tops	819	0	819	0
High School	627	41,112	41,721	18
Elementary	2,035	466	2,501	0
Middle School	1,152	0	1,152	0
MS Special Ed	61	0	61	0
HS Special Ed	50	0	50	0
Elementary Sp Ed	127	95	222	0
Middle School Music	37	35	72	0
Elementary Music	33	0	0	33
Annual	4,106	13,292	13,365	4,033
Concessions	760	20,199	20,014	945
Show and Jazz Choir	1,723	11,998	8,487	5,234
Home Ec	968	5	973	0
Class of 2009	8,918	1,213	4,508	5,623
Class of 2010	428	18,979	14,024	5,383
Class of 2011	294	200	0	494
Class of 2012	0	200	0	200
AFS Club	607	130	0	737
Art Club	289	20	0	309
Future Homemakers of America	5	0	0	5
Future Farmers of America	20,597	27,885	26,347	22,135
National Honor Society	1,013	822	997	838
Peer Helpers	13	0	0	13
Cheerleaders - Pep Club	440	2,270	2,479	231
Spanish Club	125	0	0	125
Drill Team	1,388	7,080	4,722	3,746
Student Senate	714	5,012	3,942	1,784
JH Student Senate	855	271	97	1,029
Interest earned	0	43	0	43
Total	\$ 79,157	275,544	250,248	104,453

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

AUDUBON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>						
Local sources:						
Local tax	\$ 2,610,627	2,464,714	2,458,077	2,332,913	2,284,320	1,966,025
Tuition	228,352	172,064	186,940	159,658	167,763	177,860
Other	359,020	361,219	490,793	647,225	349,229	319,657
State sources	3,180,560	2,916,835	2,997,279	2,839,688	2,913,855	2,662,840
Federal sources	155,376	160,938	171,087	196,279	244,165	176,032
<b>Total</b>	<b>\$ 6,533,935</b>	<b>6,075,770</b>	<b>6,304,176</b>	<b>6,175,763</b>	<b>5,959,332</b>	<b>5,302,414</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	\$ 2,704,056	2,708,685	2,613,509	2,499,319	2,246,222	2,274,590
Special	554,424	457,369	358,343	407,126	344,316	530,756
Other	685,901	666,897	643,154	756,460	704,122	591,971
Support services:						
Student	227,786	171,316	211,402	186,747	186,202	133,657
Instructional staff	311,173	155,948	193,497	203,637	226,682	208,977
Administration	563,775	606,942	616,883	659,114	651,970	569,298
Operation and maintenance of plant	537,212	539,784	528,328	464,780	492,329	496,297
Transportation	195,892	187,056	412,105	164,608	193,742	220,793
Central support	0	0	0	0	2,237	1,490
Non-instructional programs	0	0	0	0	0	3,923
Other expenditures:						
Facilities acquisitions	129,277	1,302,050	4,044,670	1,061,501	347,370	134,213
AEA flow-through	214,494	199,275	196,875	188,080	188,181	191,517
Long term debt:						
Principal	241,515	228,799	232,368	125,000	0	0
Interest	192,330	203,796	203,727	190,794	0	0
<b>Total</b>	<b>\$ 6,557,835</b>	<b>7,427,917</b>	<b>10,254,861</b>	<b>6,907,166</b>	<b>5,583,373</b>	<b>5,357,482</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Audubon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Audubon Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 16, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Audubon Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Audubon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Audubon Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Audubon Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Audubon Community School District's financial statements that is more than inconsequential will not be prevented or detected by Audubon Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of the Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Audubon Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

#### Compliance and Other Matters

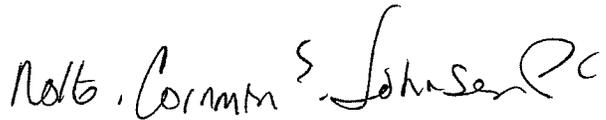
As part of obtaining reasonable assurance about whether Audubon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Audubon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Audubon Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Audubon Community School District and other parties to whom Audubon Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Audubon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2010

AUDUBON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-09 Purchase Orders - We noted during our audit that District does use purchase orders in the purchase process, however, many of the purchase orders are actually completed after the product is ordered and at times may be completed after the receipt of the product.

Recommendation - The advantage of using a purchase order system is that the approvals of the items being purchased are noted prior to the ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also, reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring the actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore, allowing the person who approves the purchase orders, the insight to know, if there is still available funding to make the purchase.

Although, Districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and the necessary changes mad so that all disbursements are approved by the appropriate administrator, before the ordering of the supplies takes place.

Response - We are working on getting our staff trained on using purchase orders when placing orders.

Conclusion - Response accepted.

AUDUBON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the amount budgeted.

II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. However, we noted an instance where the mileage reimbursement rate of \$.35 was paid to an employee. This does not match the board approved rate of \$.40 per mile.

Recommendation - The District should pay at the approved mileage reimbursement rate set by the Board. The District should amend the Board Policy to match the approved rate set by the Board.

Response - We have amended the Board Policy and have double checked our reimbursement rates for mileage.

Conclusion - Response accepted.

II-D-09 Business Transactions - No business transactions between the District and District officials were noted.

II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-09 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.

II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-09 Financial Condition -The District has two deficit account balances in the Special Revenue, Student Activity Fund totaling \$346.

The District had a deficit fund balance of \$14,421 in the Debt Service Fund.

The District had a deficit unreserved fund balance of \$27,551 in the General Fund.

or services from these accounts. The District should also, investigate alternatives to eliminate the deficit balances in the General Fund and Debt Service Funds.

Response - We have reviewed the purchasing procedure with our staff for the Student Activity Fund. We will take steps to eliminate the deficit balances.

Conclusion - Response accepted.

II-K-09 Categorical Funding - No instance were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and service tax revenue			366,553
Expenditures/transfers out:			
School Infrastructure:			
Equipment	\$	17,360	
Debt service for school infrastructure:			
General obligation debt		210,777	228,137
Ending Balance		\$	<u>138,416</u>

Levies reduced as a result of statewide sales and services tax received:

	Per \$1000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.29119	\$ 210,777

II-M-09 Officials Contracts - We noted an instance where the District paid a crew for officiating an athletic event without a valid contract for each crew member.

Recommendation - The District should have a valid contract which should be signed by the Board President to comply with Chapter 291.1 of the Code of Iowa.

Response - We will prepare a valid contract for each crew member that is officiating at an athletic event.

Conclusion - Response accepted.